



***Amended Notice of Ex Parte
Presentation***

November 30, 2012

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, SW
Portals II, Room TW-A325
Washington, DC 20554

Re: *Connect America Fund*, WC Docket No. 10-90, *A National Broadband Plan for Our Future*, GN Docket No. 09-51, *Establishing Just and Reasonable Rates for Local Exchange Carriers*, WC Docket No. 07-135, *High-Cost Universal Service Support*, WC Docket No. 05-337, *Developing a Unified Intercarrier Compensation Regime*, CC Docket No. 01-92, *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45.

Dear Ms. Dortch:

On November 28, 2012 I, along with Roxanne White, Evertek; Don Jennings, Partner Communications; and Dave Duncan, Iowa Telecommunications Association met with Carol Matthey, Alexander Minard, and Ryan Yates of the Wireline Competition Bureau.

The purpose of this meeting was to request clarification on the financial reporting requirements of rate of return carriers addressed in the *Fifth Order of Reconsideration* released on November 16, 2012. During the meeting, we reported that Kiesling Associates performs audits and financial reporting services for approximately 200 rate of return carriers across the country. We discussed how to satisfy the new reporting requirements for audited or reviewed financial statements under scenarios where a subsidiary rate of return carrier is a part of a consolidated audit or review report for which no consolidating supplementary information is provided, or where a subsidiary rate of return carrier a part of a consolidated audit or review report for which consolidating supplementary information is provided.

We also discussed the process for filing operating reports of audited companies whose reports are delayed past July 1 for reasons such as loan waiver requests or other auditor reliance letters. We recommended that carriers be allowed to file a draft operating report until such time as the operating report could become finalized.

During the meeting, I provided a proposed operating report that could be filed for non-RUS companies. This summarized report includes balance sheets, income statements,

and cash flows as would be included with a normal financial statement report and excludes statistical information such as customer counts and rates.

In addition, I presented updated data from Kiesling Associates showing that the rate of return for 108 Iowa rate of return companies' regulated operations as of 12/31/11 averaged 2.07%, with 45 of those companies having negative rate of return. Likewise, for 96 companies, the average rate of return for the consolidated operations of those companies was 2.59% with 31 having an overall negative rate of return. In addition, I presented data from Telergee showing the declining cash flow to revenues, decreasing Debt Service Coverage ratio and relationship of access revenues to operating revenues.

Consistent with the Commission's rules, this letter is being filed electronically with your office in the above captioned dockets. Please contact me if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Todd Thorson". The signature is written in a cursive, slightly slanted style.

Todd Thorson, CPA
Kiesling Associates, LLP

cc: Alex Minard

OPERATING REPORT FOR PRIVATELY-HELD RATE OF RETURN CARRIERS

Filed pursuant to section 54.313(f)(2) as confidential and proprietary under the protective order rules of the Federal Communications Commission.

INSTRUCTIONS-Submit report by July 1st with the Federal Communications Commission, the Universal Service Administrative Company (USAC), and the relevant state commission, relevant authority in a U.S. Territory, or Tribal governments, as appropriate.

PERIOD ENDING	STUDY AREA CODE
Company	City, State

- | | | | |
|--|--------------------------|---|--------------------------|
| Filed as reviewed single company | <input type="checkbox"/> | Filed as audited single company | <input type="checkbox"/> |
| Filed as reviewed consolidated company | <input type="checkbox"/> | Filed as audited consolidated company | <input type="checkbox"/> |
| Filed as subsidiary of reviewed consolidated company | <input type="checkbox"/> | Filed as subsidiary of audited consolidated company | <input type="checkbox"/> |

CERTIFICATION

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

Signature

Date

PART A. BALANCE SHEET

ASSETS	BALANCE PRIOR YEAR	BALANCE END OF PERIOD	LIABILITIES AND STOCKHOLDERS' EQUITY	BALANCE PRIOR YEAR	BALANCE END OF PERIOD
CURRENT ASSETS			CURRENT LIABILITIES		
1. Cash and Equivalents			25. Accounts Payable		
2. Cash-RUS Construction Fund			26. Notes Payable		
3. Affiliates:			27. Advance Billings and Payments		
a. Telecom, Accounts Receivable			28. Customer Deposits		
b. Other Accounts Receivable			29. Current Mat. L/T Debt		
c. Notes Receivable			30. Current Mat. L/T Debt-Rur. Dev.		
4. Non-Affiliates:			31. Current Mat.-Capital Leases		
a. Telecom, Accounts Receivable			32. Income Taxes Accrued		
b. Other Accounts Receivable			33. Other Taxes Accrued		
c. Notes Receivable			34. Other Current Liabilities		
5. Interest and Dividends Receivable			35. Total Current Liabilities (25 thru 34)		
6. Material-Regulated			LONG-TERM DEBT		
7. Material-Nonregulated			36. Funded Debt-RUS Notes		
8. Prepayments			37. Funded Debt-RTB Notes		
9. Other Current Assets			38. Funded Debt-FFB Notes		
10. Total Current Assets (1 Thru 9)			39. Funded Debt-Other		
			40. Funded Debt-Rural Develop. Loan		
NONCURRENT ASSETS			41. Premium (Discount) on L/T Debt		
11. Investment in Affiliated Companies			42. Reacquired Debt		
a. Rural Development			43. Obligations Under Capital Lease		
b. Nonrural Development			44. Adv. From Affiliated Companies		
12. Other Investments			45. Other Long-Term Debt		
a. Rural Development			46. Total Long-Term Debt (36 thru 45)		
b. Nonrural Development			OTHER LIAB. & DEF. CREDITS		
13. Nonregulated Investments			47. Other Long-Term Liabilities		
14. Other Noncurrent Assets			48. Other Deferred Credits		
15. Deferred Charges			49. Other Jurisdictional Differences		
16. Jurisdictional Differences			50. Total Other Liabilities and Deferred Credits (47 thru 49)		
17. Total Noncurrent Assets (11 thru 16)			EQUITY		
			51. Cap. Stock Outstanding & Subscribed		
PLANT, PROPERTY, AND EQUIPMENT			52. Additional Paid-in-Capital		
18. Telecom, Plant-in-Service			53. Treasury Stock		
19. Property Held for Future Use			54. Membership and Cap. Certificates		
20. Plant Under Construction			55. Other Capital		
21. Plant Adj., Nonop. Plant & Goodwill			56. Patronage Capital Credits		
22. Less Accumulated Depreciation			57. Retained Earnings or Margins		
23. Net Plant (18 thru 21 less 22)			58. Total Equity (51 thru 57)		
24. TOTAL ASSETS (10+17+23)			59. TOTAL LIABILITIES AND EQUITY (35+46+50+58)		

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PERIOD ENDING	STUDY AREA CODE
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PART B. STATEMENTS OF INCOME AND RETAINED EARNINGS OR MARGINS		
ITEM	PRIOR YEAR	THIS YEAR
1. Local Network Services Revenues		
2. Network Access Services Revenues		
3. Long Distance Network Services Revenues		
4. Carrier Billing and Collection Revenues		
5. Miscellaneous Revenues		
6. Uncollectible Revenues		
7. Net Operating Revenues (1 thru 5 less 6)		
8. Plant Specific Operations Expense		
9. Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization)		
10. Depreciation Expense		
11. Amortization Expense		
12. Customer Operations Expense		
13. Corporate Operations Expense		
14. Total Operating Expenses (8 thru 13)		
15. Operating Income or Margins (7 less 14)		
16. Other Operating Income and Expenses		
17. State and Local Taxes		
18. Federal Income Taxes		
19. Other Taxes		
20. Total Operating Taxes (17+18+19)		
21. Net Operating Income or Margins (15+16-20)		
22. Interest on Funded Debt		
23. Interest Expense - Capital Leases		
24. Other Interest Expense		
25. Allowance for Funds Used During Construction		
26. Total Fixed Charges (22+23+24-25)		
27. Nonoperating Net Income		
28. Extraordinary Items		
29. Jurisdictional Differences		
30. Nonregulated Net Income		
31. Total Net Income or margins (21+27+28+29+30-26)		
32. Total Taxes Based on Income		
33. Retained Earnings or Margins Beginning-of-Year		
34. Miscellaneous Credits Year-to-Date		
35. Dividends Declared (Common)		
36. Dividends Declared (Preferred)		
37. Other Debits Year-to-Date		
38. Transfers to Patronage Capital		
39. Retained Earnings or Margins end-of-Period [(31+33+34)-(35+36+37+38)]		
40. Patronage Capital Beginning-of-Year		
41. Transfers to Patronage Capital		
42. Patronage Capital Credits Retired		
43. Patronage Capital End-of-Year (40+41-42)		
44. Annual Debt Service Payments		
45. Cash Ratio [(14+20-10-11)/7]		
46. Operating Accrual Ratio [(14+20+26)/7]		
47. TIER [(31+26)/26]		
48. DSCR [(31+26+10+11)/44]		

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PART C. STATEMENTS OF CASH FLOWS		
1. Beginning Cash (Cash and Equivalents plus RUS Construction Fund)		
CASH FLOWS FROM OPERATING ACTIVITIES		
2. Net Income		
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
3. Add: Depreciation		
4. Add: Amortization		
5. Other (Explain)		
Changes in Operating Assets and Liabilities		
6. Decrease/(Increase) in Accounts Receivable		
7. Decrease/(Increase) in Materials and Inventory		
8. Decrease/(Increase) in Prepayments and Deferred Charges		
9. Decrease/(Increase) in Other Current Assets		
10. Increase/(Decrease) in Accounts Payable		
11. Increase/(Decrease) in Advance Billings & Payments		
12. Increase/(Decrease) in Other Current Liabilities		
13. Net Cash Provided/(Used) by Operations		
CASH FLOWS FROM FINANCING ACTIVITIES		
14. Decrease/(Increase) in Notes Receivable		
15. Increase/(Decrease) in Notes Payable		
16. Increase/(Decrease) in Customer Deposits		
17. Net Increase/(Decrease) in Long Term Debt (Including Current Maturities)		
18. Increase/(Decrease) in Other Liabilities & Deferred Credits		
19. Increase/(Decrease) in Capital Stock, Paid-in Capital, Membership and Capital Certificates & Other Capital		
20. Less: Payment of Dividends		
21. Less: Patronage Capital Credits Retired		
22. Other (Explain)		
23. Net Cash Provided/(Used) by Financing Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
24. Net Capital Expenditures (Property, Plant & Equipment)		
25. Other Long-Term Investments		
26. Other Noncurrent Assets & Jurisdictional Differences		
27. Other (Explain)		
28. Net Cash Provided/(Used) by Investing Activities		
29. Net Increase/(Decrease) in Cash		
30. Ending Cash		

Analysis of Iowa Only Companies

	Regulated Operations Only	Consolidated Operations
Companies	108	96
Average ROR	2.07%	2.59%
Have Negative ROR	45	31
Companies with Long-term Debt(Est.)	80	
 RUS Rate of Borrowing	 2.20%	

Iowa only information taken from database of telecom companies served by Kiesling Associates LLP, a regional CPA firm specializing in the communications industry.

Rate of Return(ROR) is operating income divided by net operating plant in service.

Rural Utilities Service(RUS) is based on published 20 year rates as of November 26, 2012.

Telergree Statistics

	Cashflow to Revenues	Debt Service Coverage Ratio	Have Long Term Debt	Access to Operating Revenues
2007	47.2%	3.04	74.9%	50.8%
2008	39.9%	3.04	79.1%	47.7%
2009	38.3%	2.97	79.5%	45.5%
2010	40.0%	2.49	79.6%	47.5%
2011	39.3%	2.62	80.1%	45.8%

Telergree is an alliance of 7 CPA firms who have specialties in the telecommunications area. Company data is pulled from multiple states and consists of approximately 230 entities of which 25% are Iowa companies.